

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company)	
)	Docket 10-0467
Proposed General increase in electric rates.)	

THE CITY OF CHICAGO’S PRE-TRIAL MEMORANDUM

Pursuant to the September 2, 2010 Notice of Administrative Law Judges’ Ruling and Notice of Schedule, the City of Chicago (the City) submits its Pre-Trial Memorandum.

The City submitted the testimony of Edward C. Bodmer. Mr. Bodmer prepared Direct Testimony (City Exhibit 1.0) and Rebuttal Testimony (City Exhibit 2.0). Mr. Bodmer’s Rebuttal Testimony includes a Technical Appendix (City Exhibit 2.1). Mr. Bodmer addressed four issues:

- (1) Commonwealth Edison Company’s (ComEd) straight fixed variable (SFV) residential rate design proposal;
- (2) Whether to use a coincident peak (CP) or a non-coincident peak (NCP) allocator to allocate primary distribution facilities;
- (3) The proper level of secondary street lighting costs that should be allocated to the City’s street lights; and

- (4) Whether costs related to efforts to collect unpaid bills should be included in ComEd's uncollectible costs.

These issues are organized consistent with the Common Outline for Pre-Trial Memoranda circulated among the Illinois Commerce Commission (the Commission) Staff and the parties to this case.

VII. COST OF SERVICE AND ALLOCATION ISSUES

C. Potentially Contested Issues

1. Embedded Cost of Service Study Issues

d. NCP v. CP

In his Rebuttal Testimony, Mr. Bodmer responded to Commercial Group witness Richard A. Baudino's and Illinois Industrial Energy Consumers witness David L. Stowe's recommendations that the Commission use the NCP allocator to allocate primary distribution facilities. Mr. Bodmer described many reasons why Mr. Baudino's and Mr. Stowe's recommendation should be rejected. However, by far the biggest reason to reject the Commercial Group and IIEC proposal is that the Commission considered this issue in its investigation of ComEd's rate design in Docket 08-0532 (the Rate Design Case). In that case, the Commercial Group, IIEC, and ComEd advocated use of the NCP allocator. The City and Staff argued for use of the CP allocator. In its Order, the Commission weighed the arguments made by each side and concluded that "We are persuaded that the allocation costs to substations and primary lines should be made on a CP basis." *ICC v. Commonwealth Edison Company*, Docket 08-0532, Final Order at 55, (April 22, 2010) (the Rate Design Order). Moreover, in the Ameren Illinois Utilities most recent rate case – Dockets 09-0306 – 09-0311 (cons.) -- the Commission affirmed its decision in the

ComEd Rate Design Case. That is, the Commission rejected arguments to use the NCP allocator and found that primary lines and substations should be allocated on a coincident peak basis. *In re Central Illinois Light Company, et. al.*, ICC Dockets 09-0306 – 09-0311 (cons.), Final Order at 237 (April 29, 2010) (the Ameren Order).

The Commission was clear in both its Rate Design Order and its Ameren Order that utilities should use CP to allocate primary facilities. Neither the Commercial Group nor IIEC provided any reason -- persuasive or otherwise -- as to why the Commission should suddenly shift course and adopt the NCP allocator.

VIII. COST OF SERVICE AND ALLOCATION ISSUES

C. Potentially Contested Issues

1. Embedded Cost of Service Study Issues

g. Street Lighting

A second issue the Commission addressed in the ComEd Rate Design Case concerned the secondary costs to serve City street lights. In its Order, the Commission concluded that the cost of secondary facilities for the City was \$183,000. Rate Design Order at 53. In Finding Paragraph 4(e), the Commission stated “the City of Chicago’s method for calculating the proportionate share of the cost of operating ComEd’s secondary distribution system for Dusk to Dawn street lighting purposes is adopted”. *Id.* at 84. Mr. Bodmer testified that despite the Commission’s clear directive, ComEd, picking where it left off in the Rate Design Case, continued to challenge the City’s calculation of secondary cost the utility incurs in serving Chicago street lights. City Ex. 1.0 at 441-42; LL 789-811.

With that said, Mr. Bodmer agreed that certain ComEd criticisms were warranted. In particular, Mr. Bodmer agreed that, as ComEd suggested, operation and maintenance expenses, taxes other than income taxes, and administrative costs should be included in the calculation of street lighting secondary costs. *Id.* at 55; LL 1087-94. ComEd, in contrast, chose not to take a constructive approach. The utility decided to challenge the Commission's Rate Design Order, challenging various aspects of Mr. Bodmer's analysis. Mr. Bodmer testified that these additional adjustments recommended by ComEd ignore the actual secondary costs the utility incurs in serving City street lights and should be rejected.

COST OF SERVICE AND ALLOCATION ISSUES

D. Potentially Contested Issues

1. Embedded Cost of Service Study Issues

i. Indirect Uncollectible Costs and Uncollectible Costs

Mr. Bodmer noted that ComEd complied with the Commission's Rate Design Order with respect to the manner in which uncollectible costs are allocated to residential customers. *Id.* at 62-63; LL 1216-30. Mr. Bodmer added that ComEd's method could be improved if it allocated certain "indirect uncollectible costs" in the same manner it allocates direct uncollectible costs. Mr. Bodmer testified that such indirect uncollectible costs include the "costs of collecting, administering, managing, disconnecting, and reconnecting uncollectible accounts." *Id.* at 63; LL 1234-38. In its Rebuttal Testimony, ComEd criticized Mr. Bodmer's indirect uncollectible cost proposal for failing to explain how such costs would be calculated. ComEd Ex. 50.0 at 7; LL151-57. In his Rebuttal Testimony, Mr. Bodmer provided an explanation as to how indirect uncollectible costs

could be collected in the same manner as direct uncollectible costs. City Ex. 2.0 at 35-36; LL 685-97.

IX. RATE DESIGN

C. Potentially Contested Issues

1. SFV (ComEd Proposal)

Mr. Bodmer recommended that the Commission reject ComEd's proposed SFV residential rate design proposal. Mr. Bodmer clarified that whatever name ComEd might give its proposal, in reality, the utility is requesting that residential consumers' customer charge be increased dramatically. Mr. Bodmer testified that ComEd's residential customer charges are among the highest in the nation. ComEd's SFV proposal would exacerbate that situation by increasing the customer charge for single-family residential customers from \$7.64 to \$26.78, a 251% increase. Multi-family residential customers' customer charge would go from \$6.65 to \$13.81, a 108% increase. City Ex. 1.0 at 2-3; LL 38-53.

Mr. Bodmer said that utilities favor high customer charges because such charges are fixed— that is, they do not vary with usage. Higher fixed charges translate to greater revenue stability for utilities. In addition, higher fixed charges provide a disincentive for customers to conserve electricity, meaning more electricity sales for utilities. Although ComEd no longer generates electricity, its parent company, Exelon Corporation, owns 11 nuclear generating units in Illinois, a state in which 48% of the net generation comes from nuclear power. *Id.* at 4; LL 60-72.

Mr. Bodmer testified that ComEd's proposal falls hardest on low-use customers. Mr. Bodmer included a graph in his Direct Testimony showing that ComEd's SFV

proposal would increase distribution rates for low-use-single-family-without-space-heat customers by 71.72%. Distribution rates for low-use-multi-family-without-space-heat customers would increase 40.90%. The increases for high-use residential customers are dramatically lower. High-use-single-family-without-space-heat customers' customer charge would increase by only 12.89%. High-use-multi-family-without-space-heat customers' customer charge would see only a 2.59% increase. *Id.* at 11.

Mr. Bodmer added that because there are far more multi-family customers in Chicago and because City ratepayers use approximately 60% less electricity than non-City ratepayers, Chicago residents would feel the brunt of ComEd's proposal. Mr. Bodmer showed that lopsided impact on low-use customers of ComEd's SFV proposal would result in approximately \$50 million being transferred from non-City ratepayers to ratepayers in Chicago. *Id.* at 12-13; LL 224-39.

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Respectfully submitted,

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